

Message Text

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PAGE 01 BRUSSE 08670 01 OF 02 041414Z
ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15
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O 041402Z MAY 78
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 6393
INFO ALL EC CAPITALS
AMEMBASSY TOKYO
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USEEC, PARIS ALSO FOR USOECD
GENEVA ALSO FOR USDEL MTN

TAGS: EEC, ETRD

SUBJECT: EC FOREIGN MINISTERS COUNCIL, MAY 2, 1978:
GERMAN DEMARCHE ON PROTECTIONISM AND
INDUSTRIAL RESTRUCTURING

REF: BRUSSELS 8618

1. SUMMARY: DEBATE ON FOOTWEAR IMPORTS BY THE MAY 2
EC FOREIGN MINISTERS COUNCIL (REFTEL) SERVED AS THE
BACKDROP FOR A STRONG GERMAN DEMARCHE ON THE NEED FOR
THE COMMUNITY TO AVOID INTERVENTIONIST INDUSTRIAL
POLICIES AND PROTECTIONISM AND TO CONCENTRATE INSTEAD
ON INDUSTRIAL RESTRUCTURING. REACTION FROM THE OTHER
MEMBER STATES WAS MIXED, BUT MOST EXPRESSED THE VIEW
THAT THE FRG IS OVERSIMPLIFYING THE EC'S CURRENT
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PAGE 02 BRUSSE 08670 01 OF 02 041414Z

INDUSTRIAL SECTOR PROBLEMS. THE COUNCIL WILL HOLD A
GENERAL DISCUSSION ON INDUSTRIAL STRUCTURAL POLICY
AT ITS JUNE 6 MEETING, AS PART OF ITS PREPARATION FOR
THE BREMEN EUROPEAN COUNCIL AND THE WESTERN ECONOMIC
SUMMIT IN BONN. END SUMMARY.

2. THE GERMAN VIEW:

FOLLOWING THE COUNCIL'S DISCUSSION OF FOOTWEAR IMPORTS, GERMAN MINISTER FOR ECONOMIC AFFAIRS LAMBSDORFF TOOK THE FLOOR TO EXPRESS CONCERN OVER WHAT THE FRG PERCEIVES AS AN INCREASING COMMUNITY TREND TOWARD INTERVENTION IN INDUSTRIAL SECTORS AFFECTED BY CYCLICAL RATHER THAN STRUCTURAL PROBLEMS. LAMBSDORFF'S REMARKS TO THE COUNCIL WERE BASED UPON AN APRIL 28 FRG MEMORANDUM ON EC STRUCTURAL POLICY IN THE INDUSTRIAL SECTOR, WHICH WAS RELEASED TO THE PRESS DURING THE COUNCIL MEETING.

3. THE GERMAN MEMORANDUM OBSERVES THAT THE FRG HAS NOT OPPOSED INTERVENTION IN WELL-FOUNDED, EXCEPTIONAL CASES, SUCH AS THE STEEL AND TEXTILE SECTORS, BUT BELIEVES THAT WIDESPREAD ADOPTION OF SUCH MEASURES WOULD SERIOUSLY AFFECT THE PERFORMANCE OF THE EC ECONOMY AS A WHOLE; INTERVENTION SHOULD THEREFORE BE KEPT TO A NECESSARY MINIMUM, PARTICULARLY BECAUSE MANY SECTORAL PROBLEMS ARE NOT OF A STRUCTURAL BUT RATHER OF A CYCLICAL NATURE. FROM THIS PREMISE, THE MEMORANDUM ARGUES THAT:

-- THE COMMUNITY SHOULD TAKE ADVANTAGE OF THE OPPORTUNITIES TO BE PROVIDED BY RESTRUCTURING; HOWEVER, RESTRUCTURING MUST BE THE PRIMARY RESPONSIBILITY OF THE INDUSTRIES THEMSELVES;

-- COMPETITION IS THE KEY TO RESTRUCTURING; ITS ABSENCE WOULD ERODE INCENTIVE TO TECHNOLOGICAL LIMITED OFFICIAL USE

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PAGE 03 BRUSSE 08670 01 OF 02 041414Z

PROGRESS AND, HENCE, THE EC'S COMPETITIVENESS; THE EC SHOULD SEEK TO EXPAND THE DEGREE OF LIBERALIZATION OF WORLD TRADE, PARTICULARLY THROUGH A SUCCESSFUL CONCLUSION TO THE MTN;

-- EXTERNAL PROTECTIONIST MEASURES BY THE EC ENTAIL SERIOUS RISK OF RETALIATION BY OTHER TRADING COUNTRIES AND OF DISRUPTION OF THE COMMUNITY MARKET ITSELF;

-- MARKET SHARING ARRANGEMENTS, PRICE FIXING MEASURES, AND STATE AIDS TO INDUSTRIES ALSO RESTRICT COMPETITION AND IMPEDE RESTRUCTURING EFFORTS.

4. AT A PRESS BRIEFING AFTER THE COUNCIL DEBATE, AN EC COMMISSION SPOKESMAN PROVIDED THE FOLLOWING SUMMARY OF MEMBER STATE REACTION TO THE GERMAN DEMARCHE:

(A) UNITED KINGDOM:

FOREIGN SECRETARY OWEN INSISTED THAT THE GERMAN VIEWS ON PROTECTIONISM AND INDUSTRIAL RESTRUCTURING MUST BE STUDIED IN A BROADER, MORE GENERAL CONTEXT, INCLUDING MTN OBJECTIVES AND ECONOMIC GROWTH, AS PART OF THE

COMMUNITY'S PREPARATIONS FOR THE JULY 6-7 EUROPEAN COUNCIL MEETING IN BREMEN AND FOR THE WESTERN ECONOMIC SUMMIT IN BONN. OWEN INSISTED THAT IT IS WRONG TO SAY THAT A LAISSEZ-FAIRE APPROACH WOULD SOLVE ALL THE COMMUNITY'S PROBLEMS OR THAT ALL INTERVENTIONIST MEASURES ARE NOT LEGITIMATE.

(B) FRANCE:

FOREIGN TRADE MINISTER DENIAU AGREED WITH OWEN THAT INDUSTRIAL RESTRUCTURING CANNOT BE STUDIED AS A SEPARATE, ISOLATED ELEMENT; MONETARY, SOCIAL, AND REGIONAL FACTORS HAVE TO BE ADDRESSED AS WELL. WITH RESPECT TO PROTECTIONISM, DENIAU SAID THAT THE EC SHOULD HAVE AT

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PAGE 01 BRUSSE 08670 02 OF 02 041416Z
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ITS DISPOSAL INSTRUMENTS COMPARABLE TO THOSE OF ITS
MAJOR TRADING PARTNERS.

(C) BELGIUM:

FOREIGN MINISTER SIMONET COMMENTED THAT THE FRG SEEMS TO BE NEGLECTING THE FACT THAT THE EC FACES A LASTING STRUCTURAL CRISIS IN ITS INDUSTRIES. HE NOTED THAT LAMBSDORFF'S PRESENTATION SEEMED TO CONTRADICT VIEWS EXPRESSED BY CHANCELLOR SCHMIDT AT THE COPENHAGEN

EUROPEAN COUNCIL. SIMONET CONCLUDED THAT, IF THE EC IS INDEED IN A LASTING CRISIS, IT MIGHT BE PREMATURE TO CONSIDER GOING BACK TO "EXAGGERATED" TRADE LIBERALISM.

(D) IRELAND:

MINISTER OF STATE FOR INDUSTRY, COMMERCE, AND ENERGY BURKE TERMED THE GERMAN ARGUMENTS A BIT HOLLOW. HE LIMITED OFFICIAL USE

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PAGE 02 BRUSSE 08670 02 OF 02 041416Z

ADDED THAT IRELAND FAVORS FREE TRADE BUT IS LOOKING FOR SOME "BREATHING SPACE" SO FAR AS SHOE IMPORTS ARE CONCERNED.

(E) DENMARK:

STATE SECRETARY FOR FOREIGN AFFAIRS ERSBOLL AGREED WITH LAMBSDORFF'S VIEWS ON PROTECTIONISM, ADDING THAT SUCH TRENDS ARE APPARENT IN THE EC'S AGRICULTURAL SECTOR AS WELL AS ITS INDUSTRIAL SECTOR.

5. ACCORDING TO THE COMMISSION SPOKESMAN, EC COMMISSIONER DAVIGNON EMPHASIZED TO LAMBSDORFF THAT THE COMMISSION DOES NOT INTEND TO PROPOSE NEW SECTORAL MEASURES WITHOUT CAREFUL CONSIDERATION OF THEIR INTERNAL AND EXTERNAL REPERCUSSIONS. DAVIGNON ALSO NOTED THAT THE COMMISSION'S APPROACH TO INDUSTRIAL POLICY REFLECTS ITS BASIC MARKET ECONOMY PHILOSOPHY.

6. THE SPOKESMAN SAID THAT, IN HIS SUMMATION OF COUNCIL DEBATE, DANISH FOREIGN MINISTER ANDERSEN (COUNCIL PRESIDENT) ANNOUNCED THAT DETAILED SUBSTANTIVE DISCUSSION OF INDUSTRIAL STRUCTURAL POLICY WOULD TAKE PLACE AT THE JUNE 6 COUNCIL MEETING. HINTON

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